

CITY OF MIAMI SPRINGS GENERAL EMPLOYEES'
RETIREMENT SYSTEM
MINUTES OF THE MEETING HELD
NOVEMBER 26, 2012 – SPECIAL MEETING

The special meeting of the Board of Trustees of the City of Miami Springs General Employees' Retirement System was called to order at 10:06AM by Tom Cummings in the Commission Chambers at the City of Miami Springs City Hall at 201 Westward Drive, Miami Springs, Florida.

TRUSTEES PRESENT

Tom Cummings, Chair
Sherryl Bowein, Secretary
Francisco Arguelles, Trustee
Robert Whittington, Trustee
Ronald K. Gorland, Trustee

OTHERS PRESENT

Audrey Ross, Pension Resource Centers (PRC)
Brendon Vavrica, Thistle Asset Consulting
Richelle Hayes, American Realty Advisors
John Gorham, Cornerstone
Paul Nasser, Intercontinental Real Estate
Peter Hapgood, Intercontinental Real Estate

INVESTMENT MANAGER PRESENTATIONS (REAL ESTATE)

• **American Realty Advisors – Presented By: Richelle Hayes**

Ms. Hayes introduced herself and stated that this is a Commercial Realty Estate product. American Realty has over \$4.5B in assets with more than 150 properties in the United States. Ms. Hayes stated that American Realty has 280 institutional clients and their investment team has an average of 26 years of investment management experience. American Realty has 7 offices located throughout the United States with the closes in Orlando. She reviewed their investment philosophy and commented that they combine disciplined risk control with direct hands on execution. They use leverage and keep it low, but they will on buy properties with about 80-90% in cash and then they will finance the rest.

Ms. Hayes reviewed the investment process and explained that there are 4 aspects of it. American Realty will spend about \$150-250M on a property and they hold properties in their portfolios for about 5-7 years. Ms. Hayes explained to they board why it is a great time to get into Real Estate now. The portfolio does not have a queue right now to get into or out of the fund, although they did have a queue to get out of the fund back in 2008 when the markets tanked (the were the last Real Estate manager to issue a queue). American Realty will only invest in properties that are very credit worthy and since interest rates are still low they are taking advantage of them and refinancing. Ms. Hayes stated that this product is an open ended commingled fund that investment in primarily high quality core income properties. They invest in 4 different types of properties; office, industrial, retail, and multi-family. Currently there are 76 properties in the portfolio and they don't hold more than 1.5% in cash at anyone time. Ms. Hayes explained that this fund does pay dividends every quarter and each client can chose whether or not they want those dividends reinvested or paid out. The fee for this product is 110 basis points on the new asset value of the fund. Ms. Hayes noted that she would be available to attend quarterly meetings if necessary, and also American Realty is very involved with the FPPTA as well.

The Trustees had a very lengthy discussion with Ms. Hayes regarding this fund and the comparison it has to an indexed fund. Ms. Hayes commented that by adding in Real Estate to the portfolio it will add more diversification as well. Also American Realty is active management and they do not trade on a daily basis as these types of pension plans look for long term performance. The board continued their discussion on REITS and Index funds.

- **Cornerstone – Presented By: John Gorham**

Mr. Gorham introduced himself to the board and stated that he is the Vice President of Cornerstone. As of October 2012 there are \$47B in assets and they do currently have a queue to get into the fund with 5 clients currently waiting to get in. Mr. Gorham explained that this fund delivers superior returns with less risk through active management and their own research team. He reviewed the Firms organizational chart and commented that Mass Mutual is subsidiary to Cornerstone. They have 3 Regional offices located in Chicago, Glastonbury, and Santa Monica.

Cornerstone uses both a top down and bottom up approach. Mr. Gorham reviewed their investment process and stated that currently their leverage is at 15.9%. There are 35 properties in this portfolio and reviewed the asset allocation. He reported that funds performance has outperformed the index for the 1, 5, and 7 years and since inception, although they are behind for the 3 years due to the markets plunging. Mr. Gorham stated that this portfolio produces higher returns with taking less risk. Lastly he commented that the fee for this fund is 100 basis points.

- **Intercontinental Real Estate – Presented By: Paul Nasser & Peter Hapgood**

Mr. Nasser introduced himself and Mr. Hapgood. He reviewed the background of the Firm and stated that it was founded in 1959. They currently have \$2.35B in assets under management and have a lot of Florida clients. Mr. Hapgood commented that Intercontinental has its own internal advisory board and all members are SEC certified. He noted that the members who sit on the advisory board are not investment board. He explained that this is an open ended fund that generates a 6-8% return. Currently the portfolio has a 50% leverage rate which is slightly higher then other managers. There are 32 properties in the portfolio liquidity is available on a quarterly basis, although there is currently a queue to get into the fund which is about 2 quarters long.

Mr. Hapgood reviewed the funds investment process and stated that they diversify their portfolio by sectors and also property types. They focus mainly on the core plus area because it is less risky, but still generates a lot of income. He noted that dividends are paid out on a quarterly basis and can either be reinvested back into the fund, or the plan can take the income. Mr. Hapgood briefly reviewed the funds performance and explained that they are inline with the benchmark. The fee for this fund is 110 basis points on the first \$25M.

Board Discussion:

The board discussed and reviewed the presentations that they saw today. They also compared each firm's historical returns that were provided by the Plan's Consultant. Mr. Vavrica explained the two different scenarios that are going on with fixed income and also with equities and noted that this is a great time to get into Real Estate. Real Estate offers a higher yield with less risk. The board has a lengthy discussion on Real Estate and the leverage percentage differences between each manager. Mr. Vavrica passed out an asset allocation which reflecting taking some from fixed income to fund real estate.

The Trustees discussed and concurred that they would like to invest in Real Estate, but they would like to wait until next year to fund so that they can determine where they are going to take the money from.

MOTION: Mr. Whittington made a motion to hire American Realty and to fund Real Estate up to 10%, with the funding sources to be determined.

SECOND: Mr. Gorland seconded the motion.

CARRIED: The motion carried 5-0.

The Trustees noted that they are not interested in the International at this time.

OTHER BUSINESS

N/A

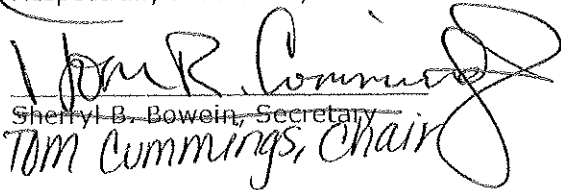
NEXT MEETING DATE

Thursday February 7, 2013 @ 8:30 AM

ADJOURN

There being no further business, a motion was made to adjourn the special meeting at 12:51PM.

Respectfully submitted,


~~Sherry L. Bowein, Secretary~~
Tom Cummings, Chair